



Impact of the Repeal of the NC Estate Tax on Charitable Giving

Remarks of David Heinen, Director of Public Policy and Advocacy, N.C. Center *for* Nonprofits
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- I am David Heinen, Director of Public Policy and Advocacy at the N.C. Center for Nonprofits, a statewide organization that helps North Carolina nonprofits operate more efficiently and effectively. I am here to speak on the impact of the repeal of the estate tax on philanthropy in North Carolina.
- Charitable bequests are a major source of revenue for nonprofits.
- According to the Giving USA Foundation, charitable bequests account for 8% of total giving to nonprofits. This is about \$400 million annually in North Carolina.
- The Congressional Budget Office has estimated that eliminating the federal estate tax would decrease charitable bequests by between 16% and 28%.
- Nonprofit tax experts agree that the repeal of the North Carolina estate tax would also create a disincentive for charitable bequests and also would reduce charitable donations in the last 10 years of life.
- And even the most rigorous fiscal estimates may understate the impact of the estate tax on philanthropy in North Carolina. For example, a 1975 court decision make clear that the third largest private foundation in Minnesota – which reduces burdens on government services by investing millions of dollars annually in nonprofits’ work – would not have been created but for the existence of the estate tax.
- Also, it is important to note that the Giving USA Foundation’s estimate for an increase in charitable bequests from 2009 to 2010 is only a preliminary estimate and may not be an indication of a trend. Bequests vary widely from year to year, so it’s important to look at data from several years to see trends. For example, bequests in 2010 were 20% lower than in 2008 when the estate tax was in place. And because of the uncertainty surrounding the immediate future of the federal estate tax, many wills and estates were not altered when the estate tax went away for one year in 2010.

- A decline in bequests and late-in-life philanthropy would be particularly damaging to nonprofits today, when private giving continues to struggle. In each of the last three years, at least half of all North Carolina nonprofits reported a decrease in individual giving.
- Nonprofits improve the quality of life in North Carolina in a wide variety of ways, ranging from education to health care to disaster relief to the arts.
- We ask that you preserve the estate tax and other laws that encourage North Carolinians to give generously to nonprofits and thereby ease the burden on government services.
- Thank you.

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